

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

FILED
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U.S. DISTRICT COURT
SOUTHERN DIST. OHIO
WESTERN DIV. DIXON

UNITED STATES OF AMERICA : CASE NO. 3:16CR044(1)-WHR
v. : SUPERSEDING INDICTMENT
JAMES L. WRIGHT, : 26 U.S.C. § 7212(a)
Defendant. : 26 U.S.C. § 7206(1)

: 26 U.S.C. § 7206(2)

THE GRAND JURY CHARGES THAT:

INTRODUCTION

At times material to this indictment:

1. JAMES L. WRIGHT resided in Germantown, Ohio, within the Southern District of Ohio.
2. WRIGHT holds a Bachelor of Science degree in business administration and accounting.
3. Between in or around 1994 and in or around 1998, WRIGHT was under criminal investigation by the Internal Revenue Service (IRS) for his use of trusts to hide income and assets from the IRS. WRIGHT pleaded guilty to tax evasion for this conduct on or about September 17, 1998. On or about July 30, 1999, WRIGHT was sentenced to five years of probation and ordered to pay restitution to the IRS.
4. While he was under criminal investigation and serving his term of probation, WRIGHT formed and used entities to conceal income and assets from the IRS.

5. WRIGHT controlled the financial and business operations of B&P Company, Inc., located in Dayton, Ohio. B&P Company, Inc. was a fourth-generation family business owned by his mother. Since approximately 1889, when the company was founded by WRIGHT's great-grandmother, B&P Company, Inc. has manufactured and sold anti-aging skin care products, including a wrinkle reduction product called Frownies. On or about June 13, 1996, this business was incorporated under the name B&P Company, Inc.

6. On or about April 30, 1996, Wright Family Limited Partnership I was formed. WRIGHT was a partner in Wright Family Limited Partnership I. WRIGHT titled his personal residence and an automobile in the name of Wright Family Limited Partnership I.

7. On or about March 10, 1997, WRIGHT caused the incorporation of The Remnant, Inc. WRIGHT was the sole shareholder of The Remnant, Inc. Between in or around 1998 and in or around 2009, Defendant caused B&P Company to make payments to The Remnant, Inc.

8. On or about December 23, 2002, WRIGHT caused the formation of the Wright Family Foundation I. WRIGHT caused the name of this entity to be changed to Fore Fathers Foundation on or about June 20, 2003. WRIGHT served as the President of Fore Fathers Foundation. The foundation was funded by B&P Company, Inc. and Wright Family Limited Partnership I.

9. WRIGHT provided information and caused information to be provided to professional tax return preparers for the purpose of preparing tax returns for B&P Company, Inc., Wright Family Limited Partnership I, The Remnant, Inc., and Fore Fathers Foundation for filing with the IRS. For some years, WRIGHT used different professional tax return preparers to prepare the tax returns for each entity that he controlled.

10. WRIGHT self-prepared U.S. Individual Income Tax Returns, Forms 1040, for filing with the IRS to report his personal income.

11. Beginning with at least the 2003 tax year, WRIGHT used the entities that he established and controlled to divert money from B&P Company, Inc. to his personal use and the use of his family members. WRIGHT filed and caused the filing of false tax returns in the names of B&P Company, Inc., The Remnant, Inc., and Fore Fathers Foundation that mischaracterized personal expenses as business expenses, understated income, and made false statements. WRIGHT also filed false individual income tax returns that underreported income.

12. On or about January 31, 2001 and February 1, 2001, the IRS assessed income taxes due and owing by WRIGHT for the years 1990 through 1995. The IRS attempted to collect these taxes until on or about November 14, 2011 through liens and levies. WRIGHT was aware of the IRS's efforts to collect his unpaid taxes for the years 1990 through 1995.

13. Between on or about February 28, 2001 and on or about April 10, 2003 the IRS conducted an audit of The Remnant, Inc.'s 1997 and 1998 corporate income tax returns. WRIGHT was aware of this audit.

14. Between in or around June 2010 and in or around March 2011, the IRS conducted an audit of B&P Company, Inc.'s 2007 corporate income tax return. WRIGHT was aware of this audit.

COUNT ONE

(26 U.S.C. § 7212(a) – Corrupt Endeavor to Obstruct and Impede the Due Administration of the Internal Revenue Laws)

15. Paragraphs 1 through 14 of this Indictment are realleged and reincorporated

herein.

16. Beginning in or around 1997, and continuing thereafter up to and including on or about August 30, 2011, in the Southern District of Ohio and elsewhere, while he was the subject of pending IRS actions of which he was aware, including, but not limited to, the criminal and civil proceedings described in paragraphs 3 and 12 through 14, the defendant, JAMES L. WRIGHT, did corruptly endeavor to obstruct and impede the due administration of the internal revenue laws, by the following means, among others:

- a. Forming, causing the formation of, and using entities, including, but not limited to, The Remnant, Inc., Wright Family Foundation I, and Fore Fathers Foundation to divert money from B&P Company, Inc. to his personal use and the use of his family members;
- b. Causing the preparation and filing with the IRS of false U.S. Corporation Income Tax Returns, Forms 1120, in the name of B&P Company, Inc. that fraudulently claimed business deductions for personal expenses, including the apartment rent and utilities of family members;
- c. Causing the preparation and filing with the IRS of false U.S. Income Tax Returns for an S Corporation, Forms 1120S, for The Remnant, Inc. that fraudulently claimed business deductions for personal expenses, including apartment rent for a family member and rent payments, utilities, and other expenses related to his personal residence;
- d. Causing the preparation and filing with the IRS of false U.S. Returns of Partnership Income, Forms 1065, for Wright Family Limited Partnership I on which he

falsely claimed that his personal residence was a “commercial office;”

e. Causing the preparation and filing with the IRS of false Returns of Organization Exempt from Income Tax, Forms 990-PF, for Fore Fathers Foundation on which WRIGHT falsely stated that the foundation did not reimburse the expenses of disqualified persons during the tax year, when, in fact, WRIGHT directed funds from Fore Fathers Foundation to pay his children’s private high school and college tuition

f. Preparing and filing with the IRS false U.S. Individual Income Tax Returns, Forms 1040, for himself and his wife that underreported WRIGHT’s income;

g. Providing false and incomplete information to the professional tax return preparers who prepared the tax returns for each of the entities that WRIGHT controlled and using different professional tax return preparers to prepare tax returns for each entity;

h. Titling real and personal property in the name of Wright Family Limited Partnership I and WRIGHT’s mother to conceal these assets from the IRS;

i. Filing and causing to be filed a false Form 1023, Application for Exemption Under Section 501(c)(3) of the Internal Revenue Code, for Fore Fathers Foundation in which he falsely claimed, among other things, that the foundation did not provide scholarships and student aid, when, in fact, WRIGHT used the foundation to pay for high school and college tuition for his children;

j. Submitting documents to educational institutions that concealed his control of Fore Fathers Foundation;

k. Falsely stating in a letter to an IRS appeals officer that he was not a partner in Wright Family Limited Partnership I;

1. Making false statements to IRS revenue agents who were conducting an audit of The Remnant, Inc. about the business use of his home.

m. Falsely stating to an IRS revenue agent who was conducting an audit of B&P Company, Inc.'s corporate income tax returns that he had no prior dealings with the IRS, when in fact, the IRS had investigated WRIGHT for tax evasion and audited The Remnant, Inc.'s tax returns;

All in violation of 26 U.S.C. § 7212(a).

COUNTS TWO AND THREE

(26 U.S.C. § 7206(2) – Aiding and Assisting in the Filing of False Returns)

17. Paragraphs 1 through 11 of this Indictment are realleged and reincorporated herein.

18. On or about the dates set forth below, in the Southern District of Ohio and elsewhere, the defendant, JAMES L. WRIGHT, did willfully aid and assist in, and procure, counsel, and advise the preparation and presentation to the Internal Revenue Service of U.S. Corporation Income Tax Returns, Forms 1120, in the name of B&P Company, Inc. for the tax years set forth below. The returns were false and fraudulent as to material matters, in that they represented that B&P Company, Inc. was entitled under the provisions of the internal revenue laws to claim deductions for the items set forth below, whereas, as the defendant then and there knew, B&P Company, Inc. was not entitled to claim those deductions in the amounts set forth on the returns.

Count	Tax Year	Approximate Date of Filing	False Items
TWO	2008	October 12, 2010	Line 16 – Rent

			Line 26 – Other deductions
THREE	2009	October 8, 2010	Line 16 – Rent Line 26 – Other deductions

All in violation of 26 U.S.C. § 7206(2).

COUNTS FOUR AND FIVE

(26 U.S.C. § 7206(1) – Filing False Tax Returns)

19. Paragraphs 1 through 11 of this Indictment are realleged and reincorporated herein.

20. On or about the dates set forth below, in the Southern District of Ohio and elsewhere, the defendant, JAMES L. WRIGHT, did willfully make and subscribe Tax Returns of Private Foundation, Forms 990-PF, in the name of Fore Fathers Foundation, for the tax years set forth below, which were verified by written declarations that they were made under the penalties of perjury and which he did not believe to be true and correct as to every material matter. On these income tax returns, which were filed with the Internal Revenue Service on or about the dates set forth below, WRIGHT responded “No” in response to Part VII-B, line 1a(4), which asks whether the foundation, among other things, “reimburse[d] the expenses of, a disqualified person,” whereas, as he then and there well knew, the foundation had reimbursed the expenses of a disqualified person during the tax year, to wit: the educational expenses of family members.

Count	Tax Year	Approximate Date of Filing
FOUR	2008	August 14, 2009
FIVE	2009	August 17, 2010

All in violation of 26 U.S.C. § 7206(1).

COUNTS SIX THROUGH EIGHT

(26 U.S.C. § 7206(1) – Filing False Tax Returns)

21. Paragraphs 1 through 11 of this Indictment are realleged and reincorporated herein.

22. On or about the dates set forth below, in the Southern District of Ohio and elsewhere, the defendant, JAMES L. WRIGHT, did willfully make and subscribe joint U.S Individual Income Tax Returns, Forms 1040, for the tax years set forth below, which were verified by written declarations that they were made under the penalties of perjury and which he did not believe to be true and correct as to every material matter. On those income tax returns which were filed with the Internal Revenue Service on or about the dates set forth below, WRIGHT reported income amounts on the lines set forth below, whereas, as he then and there well knew, he had income in excess of the amounts reported on the returns.

Count	Tax Year	Approximate Date of Filing	False Item(s)
SIX	2008	April 25, 2010	Line 21 – Other Income Schedule E, Line 28(h) – Nonpassive loss from Schedule K-1
SEVEN	2009	August 30, 2011	Line 21 – Other Income Schedule E, Line 28(j) – Nonpassive income from Schedule K-1
EIGHT	2010	August 30, 2011	Schedule E, Line 28(j) – Nonpassive income from Schedule K-1

All in violation of 26 U.S.C. § 7206(1).

A TRUE BILL

Is signed

FOREPERSON

DAVID A. HUBBERT
Acting Assistant Attorney General
U.S. Department of Justice, Tax Division

Rosemary E. Pogani
ROSEMARY E. POGANI
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U.S. Department of Justice, Tax Division